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JUSTICE FOR OIA, AFMLS, NDDS
JUSTICE PASS TO OPDAT CDELUIGI
TREASURY FOR FINCEN
TREASURY FOR SARA GREY
TREASURY PASS TO IRS-CI/NFULLER, AALDECOA, TMAHONEY
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SUBJECT: Persuading Nicaragua to Create an FIU

¶1. (U) Summary: Speeches delivered by the Ambassador, Nicaraguan Superintendent of Banks Victor Urcuyo, and Caribbean Financial Action Task Force (CFATF) President Willie Zapata at the opening ceremony of an Embassy-hosted financial investigation training seminar sparked renewed public debate and reinvigorated local efforts to pass Financial Intelligence Unit (FIU) legislation in the National Assembly. Post will follow up on the success of this event by hosting a working group meeting in late November for key players in the effort to create a FIU for Nicaragua. End Summary.

Speeches Spice Up FIU Debate

¶2. (SBU) Embassy Managua held a week-long financial investigation training seminar between September 24-28. The event was funded by INL and had participation from the Justice and Treasury Departments. Post made the opening ceremony for the training a public event which highlighted Nicaragua's lack of a FIU. The Ambassador, Nicaraguan Superintendent of Banks Victor Urcuyo, and Caribbean Financial Action Task Force (CFATF) President Willie Zapata delivered strong speeches detailing the risks for average Nicaraguans if its government delayed creation of an FIU any longer. Zapata's speech in particular clearly pointed out the possibility of Nicaragua falling onto the "black list" of countries that do not have adequate money laundering safeguards. (Note: Nicaragua is the only country in Central America without an FIU and is one of the few countries in the Western Hemisphere that is not a member of the Egmont Group. End Note.) The audience included high ranking GON members including the Vice Minister of Foreign Affairs, the President of the Central Bank, the Director of Customs, the Director of Taxes, and the Director of Economic investigations of the National Police.

¶3. (U) The speeches were well-covered in major national news outlets, with front page headlines in El Nuevo Diario (center-left, circ. 30,000) prominently warning of the possible black-listing of Nicaragua as a country with weak safeguards against financial crimes. The media attention touched off a firestorm of debate, with critics such as Nicaraguan Supreme Court Chief Justice Manuel Martinez, Associate Justice Sergio Cuarezma, and Partido Liberal Constitucionalista (PLC) Deputy and Economic Commission Head Francisco Aguirre Sacasa declaring that the creation of an FIU would be tantamount to creating a "police" or "gestapo" state. Martinez, in particular, even pledged to declare any law creating an FIU

unconstitutional. (Note: In 2005, Manuel Martinez was implicated in an embezzlement scandal involving the disappearance of USD \$600,000 of seized drug money from the Supreme Court's operating account. End Note.)

¶4. (U) PLC Deputy and Justice Commission Head Jose Pallais subsequently ridiculed Martinez's "absurd" comments and explained that an FIU would only investigate suspicious transactions worth more than \$10,000 and thus would not delve into the financial affairs of average Nicaraguans. Sandinista (FSLN) National Assembly leader Edwin Castro made a surprising joint appearance with American Chamber of Commerce President Cesar Zamora to assert that the proposed FIU is not only constitutional but necessary to stimulate more overseas investment and encourage continued economic growth. The Association of Private Banks of Nicaragua jumped into the fray by taking out a full page advertisement in La Prensa (center-right, circ. 40,000) expressing its support for the creation of a FIU and providing basic information on the structure and functions of the proposed unit. Both major dailies also ran longer, more detailed pieces more accurately explaining the structure and purpose of a FIU.

The Financial Investigation Training Seminar

¶5. (SBU) Special agents from the Department of the Treasury's Criminal Investigation Division and trainers Angel Arroyo, Nolan Fuller, Thomas Mahoney, Alicia Aldecoa, and Resident Legal Advisor Fernando Groene conducted a week-long training session on financial investigations and money-laundering detection and enforcement techniques to 30 trainees. The trainees hailed from various Nicaraguan government entities, including the National Police's vetted anti-corruption unit, the National Prosecutor's office, the Nicaraguan Revenue Service, and Nicaraguan Customs and the Office of the Superintendent of Banks. The Nicaraguan Attorney General's Office was invited but declined to participate. The participants uniformly agreed upon the timeliness and utility of the specialized knowledge they received and expressed a strong desire to learn more advanced money-laundering enforcement techniques.

November FIU Workshop - "Now Is the Moment"

¶6. (SBU) Comment: In the opinion of the RLA and trainers, some of the participants are well versed in the methodology of how to conduct appropriate financial investigations but the Nicaraguan legal framework lacks a solid operational enforcement mechanism to allow successful and secretive investigations. Further, it appears that the great politicization of law enforcement and judicial institutions prevents the development of a fair, impartial and reliable legal system. End Comment.

¶7. (SBU) Post will take advantage of the momentum generated by this successful event to organize an FIU Workshop in late-November for key local players in the FIU debate. The goals of the workshop are two-fold: to educate participants about the functions and structures of FIUs around the world and present options for ensuring a FIU's independence and protecting it from political abuse. As one official in the banking sector told us recently, "Now is the moment to act."

¶8. (U) This cable has been cleared by the Department of Treasury and the Department of Justice.

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